

Message Text

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C O N F I D E N T I A L USNATO 2755

E.O. 11652: GDS

TAGS: PFOR, NATO, YO

SUBJECT: NATO SOV/EE EXPERTS PAPER

REF: USNATO 2628

1. IN LIGHT DESIRE GIVE CLEAR LINE OF GUIDANCE FOR DEVELOPMENT OF NATO/IS PAPER ON YUGOSLAVIA AS WELL AS TO MEET GENERAL INTEREST IN POLADS IN SUBJECT,USDEL, WITH UK PROVIDING SUPPORT AGREED DURING LONDON U.S.- UK CONSULTATIONS, SUCCEEDED IN INCLUDING SUBSTANTIAL SECTION IN REPORT ON YUGOSLAVIA AS WELL AS PARAGRAPH IN OPENING "POLICY IMPLICATIONS" SECTION. IS AGREED TO USE IT AS GUIDANCE IN REDRAFTING PAPER IN REFTEL WHEN NATIONAL REACTIONS ARE IN.

2. SECTION IN REPORT FOLLOWS:
BEGIN TEXT:

IN YUGOSLAVIA, THERE HAVE BEEN SIGNS SINCE EARLY 1974 OF A MODERATION IN THE CAMPAIGN, BEGUN IN 1971, TO RESTORE THE CENTRAL ROLE OF THE PARTY AND TO REIMPOSE DISCIPLINE. THESE OBJECTIVES HAVE NOW LARGELY BEEN ACHIEVED AND THE TENTH PARTY CONGRESS IN MAY SETS THE SEAL ON THIS PERIOD. A NEW CONSTITUTION WAS PROMULGATED IN FEBRUARY AND, AFTER A SERIES OF CONFIDENTIAL

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ELECTIONS DURING THE SPRING, THE NEW ARRANGEMENTS ARE EXPECTED TO COME INTO FORCE IN THE EARLY SUMMER. MEANWHILE TITO WAS ELECTED IN MID-MAY PRESIDENT FOR LIFE.

THE YUGOSLAV ECONOMY CONTINUES TO SUFFER A HIGH RATE OF INFLATION BUT THE BALANCE OF PAYMENTS HAS BEEN IN SURPLUS FOR THE LAST TWO YEARS AND FOREIGN EXCHANGE RESERVES ARE HIGHER THAN PREVIOUSLY. HOWEVER, THE EXTRA COST OF OIL IS EXPECTED TO ADD CONSIDERABLY TO THE YUGOSLAV FOREIGN EXCHANGE BURDENS. FURTHERMORE, THEY EXPRESS CONCERN THAT A RECESSION IN WESTERN EUROPE LEAD TO A FALL IN THEIR INVISIBLE EARNINGS FROM WORKERS' REMITTANCES AND TOURISM. THE YUGOSLAV ECONOMY REMAINS A KEY FACTOR FOR CONTINUED POLITICAL STABILITY BUT FOR THE TIME BEING ITS CONDITION SEEMS TO BE NO WORSE THAN SEVERAL OTHER EUROPEAN ECONOMIES. YUGOSLAV POLEMICS FOLLOWING THE RESURGENCE OF THE QUESTION OF ZONE B OF THE TERRITORY OF TRIESTE MAY BE PARTLY DUE TO INTERNAL CONSIDERATIONS. THEY MAY ALSO HAVE BEEN INTENDED AS A DEMONSTRATION, PERHAPS TO OTHER COUNTRIES, OF THE IMPORTANCE THE YUGOSLAVS ATTACH TO THEIR "TERRITORIAL INTEGRITY."

RELATIONS WITH THE SOVIET UNION HAVE CONTINUED TO SHOW THE STEADY IMPROVEMENT COMMENCED IN 1971 BUT THE YUGOSLAVS WILL REMAIN WARY OF SOVIET INTENTIONS. FOR THEIR PART, THE RUSSIANS ARE LIKELY TO CONTINUE AN ACTIVE BUT CAUTIOUS POLICY TOWARDS YUGOSLAVIA HOPING, NO DOUBT, THAT OPPORTUNITIES TO INCREASE THEIR INFLUENCE WILL ARISE IN THE FUTURE.

PREDICTIONS ABOUT YUGOSLAVIA REMAIN DIFFICULT TO MAKE BUT THE RECENT PARTY AND CONSTITUTIONAL CHANGES SEEM LIKELY TO CONTRIBUTE TO A RELATIVELY SMOOTH SUCCESSION. IN THE SHORT TERM TITO'S SUCCESSORS WILL MAINTAIN THEIR COHESION BUT THERE MAY LATER BE SOME JOCKEYING FOR POSITION. IN ANY EVENT, THEY WILL SEEK TO PRESERVE YUGOSLAVIA'S INDEPENDENCE AND WILL WISH, FOR BOTH ECONOMIC AND POLITICAL REASONS, TO MAINTAIN GOOD RELATIONS WITH THE SOVIET UNION AND THE WEST. THEIR ABILITY TO DO SO SHOULD BE VIEWED WITH CAUTION BUT NOT PESSIMISM. END TEXT.

3. POLICY IMPLICATIONS PARAGRAPH READS:

BEGIN TEXT:
IN YUGOSLAVIA, POLITICAL AND CONSTITUTIONAL DEVELOPMENT OVER
CONFIDENTIAL

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THE PAST SIX MONTHS HAVE IMPROVED THE PROSPECTS FOR A RELATIVELY SMOOTH SUCCESSION TO PRESIDENT TITO. THE HEALTH OF THE YUGOSLAV ECONOMY, WHICH DEPENDS HEAVILY ON ITS LINKS WITH THE WEST WILL, HOWEVER, CONTINUE TO BE THE MAIN FACTOR FOR MAINTAINING STABILITY.
END TEXT.
MCAULIFFE

CONFIDENTIAL

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